GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2627
ANSWERED ON:18.08.2006
TARGET FOR DISBURSEMENT OF LOAN
Reddy Shri Karunakara G.

Will the Minister of FINANCE be pleased to state:

(a) whether there is any proposal under consideration of Government to impose penalty on the banks disbursing loans below the prescribed targets ;

(b) if so, the details thereof; and

(c) the time by which a final decision is likely to be taken in this regard ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c) There is no target fixed for disbursing loans by the Banks. However, a target of 40% of Net Bank Credit (NBC) has been stipulated for lending to the priority sectors by the domestic scheduled commercial banks including public sector banks, and 32% of NBC by the foreign banks. Domestic scheduled commercial banks having shortfall in lending to priority sectors are required to contribute to the Rural Infrastructure Development Fund (RIDF) with NABARD. The foreign banks are required to make good the shortfall in achieving the priority sector lending targets by placing a deposit with Small Industries Development Bank of India (SIDBI). These deposits with NABARD/SIDBI earn a rate of interest substantially lower than the prevailing market rates.The rate of interest vary between 3% to 6% the greater the shortfall in achievement of the priority sector lending targets, lower the rate of interest paid to the concerned bank.